Supreme Court U.S.
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No. 06-1722

In the
Supreme Court of the United States

ITC LIMITED,

Petitioner,

v.

PUNCHGINI, INC., RAJA JHANJEE, PARAGNESH DESAI, VICKY VIJ, DHANDU RAM, MAHENDRA SINGH, BACHAN RAWAT, BUKHARA GRILL II, INC.,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Second Circuit

PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED

Whether a foreign famous mark without rights through use in the United States, but which is known to the relevant consumer group, is protected as a well-known mark under the Lanham Act, as required by relevant treaties to which the United States is a member.

RULE 29.6 STATEMENT

Pursuant to Supreme Court Rule 29.6, Petitioner states that ITC Limited ("ITC")[1] has no parent corporation and no publicly-held company owns 10% or more of its stock.

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[1] This case was originally brought by ITC Limited and ITC Hotels Limited. In 2005, ITC Hotels Limited was dissolved and made a part of ITC Limited. Accordingly, ITC Limited is the only petitioner.

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JURISDICTION

The Second Circuit Court of Appeals affirmed the district court's decision in part on March 28, 2007. The court of appeals had jurisdiction pursuant to 28 U.S.C. § 1291. Jurisdiction in this Court is invoked pursuant to 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

The relevant sections of the statutes, treaties, and international agreements at issue in this petition are cited in full below and re-printed at Appendix C, 101a - 120a, submitted concurrently herewith:

- Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a);
- Sections 44(b) and (h) of the Lanham Act, 15 U.S.C. § 1126(b), (h);
- Article 6*bis*(1) of the Paris Convention for the Protection of Industrial Property, March 20, 1883 as

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[2] Hereinafter, the Appendix will be cited by page number only, *e.g.*, 2a.

revised at Stockholm, July 14, 1967, 21 U.S.T. 1583 ("Paris Convention"), entitled "Well-Known Marks;"

- Article 10*bis* of the Paris Convention; and
- Article 16.2 of the Trade Related Aspects of Intellectual Property Rights Agreement of the Uruguay Round Agreements, 33 I.L.M. 81 (1994).

STATEMENT OF THE CASE

Walls made of boulders; menus printed on laminated tree sections; heavy wooden tables surrounding an open kitchen where guests can watch tandoori grill chefs preparing their meals. The Bukhara trademark represents this singular dining experience to many American international travelers and to many Americans of Indian origin or descent. ITC's first Bukhara restaurant, which opened in 1977 in New Delhi, India, in the deluxe Maurya Sheraton Hotel was the product of considerable planning and preparation. (*See* 4a). ITC hired master chefs and sent them to the Himalayan region to develop a special "Northwest Frontier" cuisine. The décor, serve-ware, and uniforms of the wait staff were all designed to evoke a certain rugged ambiance and are unique. (C.A. Appendix 666; Confidential Appendix 72-73 at p. 201, 289-290, 294, 502, 509, 511).

Since the opening of the original Bukhara restaurant in New Delhi, it has "acquir[ed] a measure of international renown." (4a) It has won numerous awards and consistently rates as one of the top 50 restaurants in the world and as the top Asian restaurant in the world. (*See, e.g., id.* at n.4). Bukhara is a regular stop for international travelers, and has been praised by visitors, including a variety of international celebrities, diplomats and dignitaries such as former president Clinton. *See Bukhara Dishes Tickle Clinton's Palate*, THE

TRIBUNE (India), April 9, 2001, *available at* http://www.tribuneindia.com/2001/20010409/nation.htm#8.

Given the success of the first Bukhara restaurant in New Delhi, ITC opened more Bukhara restaurants in far-reaching areas of the world -- namely, Hong Kong, Bangkok, Ajman, Kathmandu, Singapore, and Montreal. (*See* 4a; *see also* C.A. Confidential Appendix 802,102). In 1986, ITC opened a Bukhara restaurant in New York and in 1987, its franchisee opened a Bukhara restaurant in Chicago. (5a). Each of these was designed to re-create the ambiance of the first Bukhara in New Delhi. (*See id.* 271, 277 and 318). The New York restaurant closed in 1991 and the Chicago restaurant closed in 1997. Since 1997, ITC has not operated a Bukhara restaurant in the United States. (5a).

But, both the New York and Chicago Bukhara restaurants were popular, and the connection between these domestic Bukhara restaurants and the original Bukhara in New Delhi was recognized in media coverage of the United States Bukhara restaurants and through advertising campaigns. Both of these restaurants won awards and publicity in the United States and internationally. (*See* C.A. Confidential Appendix 804-808, 825, 827, 830-31, 834, 838). Informal market research conducted to assess the market for prepared foods indicated that the Bukhara brand was well-known among the relevant consumer group. (*See id.* 1189-91).

Meanwhile, in 1999, Defendants opened the "Bukhara Grill" in New York. Three had worked at the New Delhi Bukhara and one of these had also worked in the New York Bukhara. (6a). One of the defendants "acknowledged at his deposition [that] there was then 'no restaurant Bukhara in New York and we just thought we will take the name.'" (*Id.*)

A second Bukhara Grill in New York opened a few years later. (*Id.*)

In its summary judgment determination, the Second Circuit noted that, when viewed in the light most favorable to ITC, "numerous similarities suggestive of deliberate copying can readily be identified between the defendants' Bukhara Grill restaurants and the Bukhara restaurants owned or licensed by ITC." (*Id.*) In addition to having a similar name, the logos are similar, the décor is similar, the wait staff attire is similar, the "wood-slab" menus are similar. In fact, the Second Circuit noted that "the similarities were sufficiently obvious to be noted in a press report..." (6a).

In February 2003, ITC filed the instant complaint, claiming, in pertinent part, that Defendants' actions in connection with "Bukhara Grill" were acts of unfair competition prohibited by the Lanham Act, sections § 43(a) and § 44, 15 U.S.C. §§ 1125(a), 1126. ITC based its claims, in part, on the "well-known marks" or "famous marks" doctrine, through which "a trademark or service mark [or any other trademark-like indicator] is protected within a nation if it is well known in that nation even though the mark is not actually used or registered in that nation." J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, § 29:61 (4th ed. 2002).

The district court granted summary judgment to Defendants, and that decision was affirmed by the Second Circuit. The Second Circuit held that because it had closed its United States restaurants, ITC had abandoned its rights through domestic use or through registration, so the only possible basis for ITC to assert rights in the United States was through the well-known or famous marks doctrine. The Second Circuit therefore undertook to decide "the

applicability of the 'famous marks' doctrine to a claim for unfair competition under federal [] law." (2a).

The Second Circuit held that "Congress has not yet incorporated the well-known marks doctrine into federal trademark law." (3a). The court reasoned that the right to bring a claim under § 43(a) of the Lanham Act depends on whether the plaintiff has a trademark right. (27a). The court continued that trademark rights derive from use -- in particular, trademark rights in the United States derive only from use in the United States. (30a-31a). This is known as the territoriality principle. According to the Second Circuit, then, the well-known marks doctrine would have to be an exception to this general rule -- an exception it refused to recognize.

The court acknowledged that the well-known marks doctrine is found in treaties to which the United States is a party -- namely the Paris Convention for the Protection of Industrial Property, March 20, 1883, as revised at Stockholm, July 14, 1967, 21 U.S.T. 1583 ("Paris Convention") and the Trade Related Aspects of Intellectual Property Rights ("TRIPs") Agreement, 33 I.L.M. 81 (1994). (31a-32a). But, concluding that the Lanham Act contained no express carve-out for internationally well-known marks, the Second Circuit declined to recognize that a well-known marks claim could be brought pursuant to the Lanham Act or that the doctrine had been effectively incorporated from the Paris Convention and TRIPs into the Lanham Act. This decision is in direct conflict with the decision of the Ninth Circuit in *Grupo Gigante SA de CV v. Dallo & Co., Inc.*, 391 F.3d 1088 (9th Cir. 2004), to recognize and apply the well-known marks doctrine under the Lanham Act, and it also contravenes the requirements of the Paris Convention and TRIPs.

REASONS FOR GRANTING THE PETITION

Internationally, the United States has actively encouraged other nations to adopt and enforce the "well-known marks" or "famous marks" doctrine to protect well-known United States brands from infringement and piracy abroad. Whether foreign brands receive reciprocal protection in the United States is the subject of a direct split between the Ninth Circuit and the Second Circuit -- two jurisdictions in which international commerce is prevalent. In *Grupo Gigante*, the Ninth Circuit recognized the well-known marks doctrine. 391 F.3d at 1094. Whereas, the Second Circuit, in this case, explicitly rejected the doctrine. Not only does this lack of uniformity among the circuits create unpredictability for international business, but, perhaps more importantly, if the Second Circuit decision is allowed to stand, the value of American intellectual property abroad -- which represents trillions of dollars -- will be significantly undermined.

A. THE WELL-KNOWN MARKS DOCTRINE

The "well-known marks" doctrine[3] provides foreign mark owners with protection from unfair competition by a subsequent user of the same mark when "the foreign use of [the] mark achieves a certain level of fame" in the forum country, even though the foreign mark has no rights through

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[3] The well-known marks doctrine must be distinguished from dilution under 15 U.S.C. § 1125(c). The well-known marks doctrine relates to whether a mark will be protected from **customer confusion** where it has not been used but is well known. By contrast, dilution gives a different protection, namely protection from dilution of the mark by tarnishment or blurring, "regardless of the presence or absence of actual or likely confusion...." 15 U.S.C. § 1125(c).

use in the forum. *Grupo Gigante*, 391 F.3d at 1093. Protection for famous foreign marks is consistent with American courts' historical recognition that a mark is protected from infringement in geographic locations where its fame has caused consumers to recognize the mark, even if there are no rights through use in that location. *See e.g, Stork Restaurant v. Sahati*, 166 F.2d 348 (9th Cir. 1948) (recognizing that the "Stork Club" in New York had sufficient nationwide reputation that a new tavern in California of the same name infringed its mark); *Huber Baking Co. v. Stroehmann Bros. Co.*, 252 F.2d 945, 955 (2d Cir. 1958) ("many recent cases have afforded the holder of a trademark protection throughout a greatly extended area when the holder's business reputation and prestige are widespread, provided always that the rights of the public are fully protected"); *Peaches Entm't Corp. v. Entm't Repertoire Assocs., Inc.*, 62 F.3d 690, 694 (5th Cir. 1995) ("We hold that the zone of reputation -- that is, the reputation, advertising, and sales proven in a given service area -- may be used to determine a junior or senior user's trade territory."); *see also Grupo Gigante*, 391 F.3d at 1096-97 (recognizing history that fame determines the geographic scope of priority in a mark).

This historical protection of domestic famous marks is codified in § 43(a) and is extended to foreign marks through § 44 of the federal trademark act, the Lanham Act. Thus, the Lanham Act provides foreign mark owners with protection from unfair competition under the well-known marks doctrine when the mark is locally known but without rights through national use.

(1) Federal Unfair Competition Law

Historically, marks have been protected both where they are used and where they have become known. *See, e.g., Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 415-16 (1916) ("Into whatever markets the use of a trademark has extended, or its meaning has become known, there will the manufacturer or trader whose trade is pirated by an infringing use be entitled to protection and redress"); *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90 (1918); *Stork Restaurant*, 166 F.2d at 358-9; *Huber*, 252 F.2d at 955-56. "In fact, the common law of trademarks is but a part of the broader law of unfair competition." *Hanover*, 240 U.S. at 413. In essence, the common law recognized a well-known marks principle as a form of unfair competition for domestic marks; if the mark is known, use by another will cause confusion.

The Lanham Act was enacted, in part, to codify the then-existing federal common law of trademarks. *See* S. Rep. No. 79-1333 (1946) *reprinted in* 1946 U.S.C.C.A.N. 1274, 1274 ("The purpose of this bill is to place all matters relating to trade-marks in one statute and to eliminate judicial obscurity.... This bill effects this necessary codification and coordination."). In particular, § 43(a) provides protection against unfair competition and provides, in pertinent part:

> Any person who ... in connection with any ... services ... uses in commerce any ... name, symbol, or device... which is likely to cause confusion, or to cause mistake, or to deceive, as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person... shall be liable in a civil action by

> any person who believes that he or she is likely to be damaged by such act.

15 U.S.C. § 1125(a)(1)(A).

The Second Circuit itself has recognized that one of the common law protections codified in § 43(a) is protection of domestic marks both where they are known and where they are used. The Second Circuit recently affirmed that "[i]t is well established that a geographically remote mark may nevertheless gain protection in a distant market, at least where there is extensive advertising or evidence of strong reputation in the distant market." *Brennan's, Inc. v. Brennan's Restaurant, L.L.C.*, 360 F.3d 125, 134 (2d Cir. 2004). In that case, the owners of the New Orleans restaurant, Brennan's, sought a preliminary injunction against the use of "Terrance Brennan's Seafood & Chop House" for a restaurant in New York, claiming both infringement of a registered trademark and unfair competition under § 43(a) of the Lanham Act. The court applied the principle, but determined that the plaintiff had not demonstrated a sufficient reputation in New York to support a finding of likelihood of confusion. *See also Church of Scientology Int'l. v. Elmira Mission of the Church of Scientology,* 794 F.2d 38, 45 (2d Cir. 1985) (enjoining infringing activity within plaintiff's zone of natural expansion); *National Lampoon, Inc. v. American Broad. Cos., Inc.*, 376 F. Supp. 733, 747 (S.D.N.Y. 1974), *aff'd* 497 F.2d 1343 (2d Cir. 1974).

(2) <u>International Unfair Competition Law</u>

In addition to codifying the common law, the Lanham Act was also originally enacted to "carry out the provisions of certain international conventions..." S. Rep. No. 79-1333

(1946), *reprinted in* 1946 U.S.C.C.A.N. 1274, 1274. Two treaties are relevant to the well-known marks doctrine: the *Paris Convention for the Protection of Industrial Property*, March 20, 1883 as revised at Stockholm, July 14, 1967, 21 U.S.T. 1583 ("Paris Convention") and the *Trade Related Aspects of Intellectual Property Rights* ("TRIPs"), of the Uruguay Round Agreements, 33 I.L.M. 81 (1994).[4] Contrary to the conclusion of the Second Circuit in this case, the language, structure, and legislative history of these treaties and amendments to the Lanham Act incorporating them demonstrate that the United States intended to implement well-known marks protection for foreign famous marks.

Paris Convention Art. 6*bis*, articulates the well-known marks doctrine and requires signatory nations, through legislation or

> at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction [or] an imitation ... liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods.

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[4] Both the U.S. and India are members of the Paris Convention and TRIPs (*see* World Intellectual Property Organization, *Paris Convention Contracting Parties* (visited Jun. 24, 2007) http://www.wipo.int/treaties/en/ShowResults.jsp?treaty_id=2; World Trade Organization, *Members and Observers* (visited Jun. 24, 2007) http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm (listing members of World Trade Organization, all of whom are also members of TRIPs)).

(113a-114a). Like § 43(a)(1)(A) of the Lanham Act, Art. 6*bis* of the Paris Convention turns on whether an infringer's domestic use of a foreign "famous mark" is likely to create domestic confusion.

Article 10*bis* of the Paris Convention, which concerns unfair competition, provides that signatory nations "are bound to assure to nationals of such countries effective protection against unfair competition." (Emphasis added). One form of unfair competition is trademark infringement. *See Hanover*, 240 U.S. at 413.

The legislative history of what is now § 44, 15 U.S.C. § 1126, demonstrates what the Ninth Circuit reasoned in *Grupo Gigante*: that Congress explicitly incorporated the Paris Convention, including the well-known marks doctrine, into the Lanham Act at the time it was originally passed. During the sub-committee hearings on this section, it was noted that Dr. Ladas, a leading expert on international trademark law, assured Congress that "everything that we [the United States] are obligated to do in our International Convention [referring to the Paris Convention], is included in this title." *Hearings on H.R. 4744 Before the Subcommittee on Trademarks of the House Comm. on Patents* ("Lanham Act Hearings"), 76th Cong. 163-171 (1939), *reprinted in* JEROME GILSON, TRADEMARK PRACTICE AND PROTECTION ("Gilson"), Vol. 9, p. 44-8 (1974). Moreover, the history indicates that this section was drafted by the United States delegate to the relevant convention revisions. *Id.*

TRIPs, among other things, extends the well-known marks doctrine to apply to service marks and explains the basis upon which a mark becomes "well-known":

> Article 6bis of the Paris Convention (1967) shall apply, mutatis mutandis, to services. In determining whether a trademark is well-known, Members shall take account of the knowledge of the trademark in the relevant sector of the public, including knowledge in the Member concerned which has been obtained as a result of the promotion of the trademark.

TRIPs Art. 16.2 (116a).

The circumstances surrounding ratification and enactment of TRIPs demonstrate Congressional understanding and intent that this protection of foreign well-known marks was already incorporated in the Lanham Act, which further bears out the Ninth Circuit's decision in *Grupo Gigante*. The Uruguay Round Agreements, including TRIPs, was signed by the United States and 110 other countries and the implementing legislation was enacted by Congress on December 8, 1994. *See* H.R. 5110, 103d Cong. (1994) (117a - 120a). Both the Senate and House reports on the law recognize that it implements the TRIPs Agreement, and specifically does so in the trademark context. *See* S. Rep. No. 103-412, 224 (1994); H.R. Rep. No. 103-826(I) (1994).

Further, the White House submitted a Statement of Administrative Action with the TRIPs implementing legislation, which noted that TRIPs "requires few changes in U.S. law and regulations...." *See* H.R. Rep. No. 103-316 (1994), *reprinted in* 1994 U.S.C.C.A.N. 4040, 4040, 4280-4299 ("this Statement represents an authoritative expression by the Administration concerning its views regarding the interpretation and application of the Uruguay Round Agreements"). The statement included a summary of important Uruguay Round Agreements provisions and described the statutory changes needed to implement them.

Among those important Uruguay Round Agreements provisions was Article 16 of TRIPs. Specifically, the statement informed Congress that "Article 16 requires each member country to apply the provisions of Article 6*bis* of the Paris Convention, concerning the protection of well-known trademarks, to service marks." *Id.* at 4282. Tellingly, the statutory changes described to implement TRIPs did not include language to implement the well-known marks protections found in TRIPs and the Paris Convention, *id.* at 4287, presumably because those protections are already found in the Lanham Act when it incorporated the Paris Convention. *See also* Office of the U.S. Trade Representative, *Statement of Administrative Action, Agreement on Trade-Related Aspects of Intellectual Property Rights*, §§A, A.4, 1994 WL 761796 (Sept. 27, 1994) (issuing a similar statement on TRIPs). Correspondingly, the Ninth Circuit observed that a claim brought directly under art 6*bis* of the Paris Convention is "duplicative" of a claim under the Lanham Act. *Grupo Gigante*, 931 F.3d at 1099.

Similarly, in a formal review of relevant legislation presented in connection with a subsequent international meeting of the Council for Trade-Related Aspects of Intellectual Property Rights of the World Trade Organization, the United States Delegation explained that "the United States **already meets** it obligations to protect well-known marks." (*See* 123a, emphasis added). In addition, the United States answered questions from other nations about the implementing legislation, including the following:

> [Q:] Could the United States explain on what legal basis and under which conditions well-known marks are protected in the United States, in accordance with Article 6.2 of the TRIPs Agreement and Article 6bis of the Paris Convention?

* * *

> [A:] In the United States, well-known or famous marks are protected in the context of a determination of likelihood of confusion between the marks of two parties in accordance with Article 6bis of the Paris Convention. The issue can arise in the courts in an infringement or unfair competition action. It can also arise in the Patent and Trademark Office in an opposition or cancellation proceeding before the Trademark Trial and Appeal Board....

(129a-130a; *see also* 159a-160a). Thus, the position taken by the United States abroad is that well-known marks were already protected by the Lanham Act -- including in the form of a private claim of unfair competition.

And, in fact, the well-known marks doctrine of these treaties is incorporated into the Lanham Act through § 44. When the Lanham Act was amended in 1988, the Senate Report noted in connection with international differences in trademark registration requirements that "U.S. treaty obligations [are] reflected in Section 44 of the Lanham Act...." *See* S. Rep. No. 100-515, 5 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5577, 5581 (1988). This section expressly provides foreigners the right to assert unfair competition claims under § 43(a). Section 44(b) provides:

> Any person whose country of origin is a party to any convention or treaty relating to trademarks, trade or commercial names, or the repression of unfair competition, to which the United States is also a party [e.g., the Paris Convention] ...shall be entitled to the benefits of this section under the conditions expressed herein to the extent necessary to give effect to any provision of such convention, treaty or reciprocal law,

> **in addition to** the rights to which any owner of a mark is otherwise entitled by this Act.

15 U.S.C. § 1126(b) (emphasis added). Thus, under § 44(b), in addition to whatever rights any owner of a mark might otherwise have under the Lanham Act, foreign citizens of Paris Convention and TRIPs member countries also are entitled to protections enumerated in § 44.[5]

Additional relevant protection is found at § 44(h):

> Any person designated in subsection (b) of this section as entitled to the benefits and subject to the provisions of this Act shall be entitled to effective protection against unfair competition, and the remedies provided herein for infringement of marks shall be available so far as they may be appropriate in repressing acts of unfair competition.

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[5] This section of the Lanham Act was amended in 1962 to "clarify the meaning of several of its provisions." S. Rep. No. 87-2107, *reprinted in* 1962 U.S.C.C.A.N. at 2844 (1962). One such amendment was to change the last sentence of § 44(b) from providing rights to foreign persons "...**except** as provided in the following paragraphs of this section," to providing such rights "...**in addition** to the rights to which any owner of a mark is otherwise entitled by this chapter." *Compare* Pub. L. No. 79-489, p. 426 *with* 15 U.S.C. § 1126(b) (emphasis added). This "clarifying" amendment strongly suggests that Congress knew that the Lanham Act, as originally enacted, implemented the protections provided to treaty-state nationals through trademark-related treaties, in addition to whatever rights the foreign person might be able to assert in the absence of the treaty.

15 U.S.C. § 1126(h). This subsection allows foreign persons to seek "effective protection against unfair competition," one form of which is infringement of a mark.

As set forth above, § 43(a) provides the substantive basis for unfair competition claims under the Lanham Act. Thus, §§ 44(b) and (h), when read together with § 43(a), effectively incorporate Articles 6*bis* and 10*bis* of the Paris Convention and section 16.2 of the TRIPs Agreement and allow foreigners to assert § 43(a) to protect foreign famous marks against confusion and to stop unfair competition.

B. THE SPLIT BETWEEN CIRCUITS

The Ninth Circuit explicitly held that "**there is a famous mark exception** to the territoriality principle." *Grupo Gigante*, 391 F.3d at 1094 (emphasis added). Squarely in conflict with the Ninth Circuit's holding, the language and legislative history of the Lanham Act, and the positions taken internationally by the United States, the Second Circuit in this case held that "**no famous marks rights are independently afforded by the Lanham Act**," (45a) (emphasis added), and then "declined ... to grant judicial recognition to the famous marks doctrine simply as a matter of sound policy." (50a). This split between the Second and Ninth Circuits -- each of which includes cities with significant international commerce -- will, if not resolved, lead to inconsistent treatment of foreigners doing business here while putting United States business interests with well-known marks at a serious disadvantage abroad and making it increasingly difficult for the United States to convince other nations to protect American brands.

(1) The Ninth Circuit Decision

The Ninth Circuit in *Grupo Gigante* recognized that the well-known marks doctrine provides the basis upon which a foreigner with fame but no rights through use in the United States can seek protection from unfair competition under the Lanham Act. *See Grupo Gigante*, 391 F.3d at 1094.

The Ninth Circuit's decision is consistent with prior Lanham Act jurisprudence concerning unregistered domestic marks. The Ninth Circuit pointed out that since the early part of the last century, federal courts have recognized that "priority of use in one geographic area within the United States does not necessarily suffice to establish priority in another area." *Id.* at 1096. Thus, different users of the same mark may have priority to use the mark in different geographic regions of the United States. But, if the first user can demonstrate that its mark is well-known in a region where it has not used the mark, then it can enjoin another from using a mark that will cause confusion. *Hanover*, 240 U.S. at 416. The Ninth Circuit's extension of this unfair competition claim to foreign users of a well-known mark is entirely consistent with § 43(a) and with the obligations of the United States under the Paris Convention and TRIPs.

While not fully articulated in its opinion, the Ninth Circuit did recognize that the famous marks doctrine was found in §§ 43(a) and 44: the court noted that the plaintiff's claim "under Article 6*bis* of the Paris Convention is duplicative of its claim that, because [its] mark is well-known, that mark is entitled to protection under the Lanham Act." *Grupo Gigante*, 391 F.3d at 1099 (internal punctuation omitted).

The Ninth Circuit also explained how the famous marks doctrine is consistent with policy considerations, because

"[a]n absolute territoriality rule without a famous-mark exception would promote consumer confusion and fraud." *Id.* at 1094. Describing the United States as a "nation of immigrants," in which commerce and people regularly cross borders, the Court described that "[t]rademark is, at its core, about protecting against consumer confusion and palming off." *Id.* (internal punctuation omitted). Thus, the Court concluded, "[t]here can be no justification for using trademark law to fool immigrants into thinking that they are buying from the store they liked back home." *Id.* By the same token, trademark law should not be used to justify fooling travelers into thinking that they are visiting a restaurant related to the one they have enjoyed abroad.

(2) <u>The Second Circuit Decision</u>

The Second Circuit refused to recognize the famous marks doctrine. This decision should be reversed because (1) it is contrary to the intent of Congress in passing and amending the Lanham Act described above; (2) it conflicts with international obligations of the United States under the Paris Convention and TRIPs to recognize the well-known marks of foreign persons and to prevent unfair competition; and (3) it is inconsistent with positions taken by the United States on the well-known marks doctrine both here and abroad.

In its decision, the Second Circuit directly addressed and dismissed the Ninth Circuit's decision in *Grupo Gigante* as having been based only in policy considerations. (*See* 39a). While acknowledging that "a persuasive policy argument can be advanced in support of the famous marks doctrine," the court stated that "[t]he fact that a doctrine may promote sound policy, however, is not a sufficient ground for its judicial recognition...." (49a-50a). The court concluded that "[a]bsent [] Congressional recognition, we must decline ITC's invitation

to grant judicial recognition to the famous marks doctrine..." *Id.*[6] Implicit in this conclusion is the notion that Congress had not recognized the well-known marks doctrine in the Lanham Act. But, the Second Circuit decision failed to recognize that § 44 of the Lanham Act represents exactly that Congressional recognition of the doctrine.

Instead, the Second Circuit focused narrowly on the "territoriality principle" of trademarks. The territoriality principle provides that "priority of trademark rights in the United States depends solely upon priority of use in the United States, not on priority of use anywhere in the world." *Grupo Gigante*, 391 F.3d at 1093 (punctuation omitted) (citing J. Thomas McCarthy, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, § 29.2 (4th ed. 2002)); *but see Persons Co. Ltd. v. Christman*, 900 F.2d 1565, 1568-70 (Fed. Cir. 1990) (recognizing territoriality but acknowledging that the well-known marks doctrine may be an exception).

The territoriality principle is not expressed in the Lanham Act, nor -- contrary to the decision of the Second Circuit below -- is it an absolute. In fact, as described above, exceptions to the territoriality principle based on the renown of a mark have been recognized in American trade law jurisprudence -- including by the Second Circuit -- since at least the early part of the last century. *See, e.g., Hanover*, 240 U.S. at 415-16; *Rectanus*, 248 U.S. at 103-4; *Stork Restaurant*, 166 F.2d at 358; *Huber*, 252 F.2d at 956.

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[6] The Second Circuit pointed out that the Lanham Act had been amended almost thirty times without "expressly incorporating" the famous marks doctrine. (48a-49a). It failed to consider the possibility that the doctrine had been adopted in the original Act, so that no amendment was required.

Nonetheless, the Second Circuit in this case determined that the territoriality principle is absolute, contrary to this Court's well-settled precedent and its own prior decisions.

The Second Circuit held that § 44 did not provide for a famous mark doctrine and gave foreigners "only those protections of United States law already specified in the Lanham Act," (47a), which it held does not include a famous mark protection. Thus, according to the Second Circuit, the provisions of § 44(b) and (h) only give foreigners the same rights as already granted United States trademark owners in the Lanham Act.

This reasoning ignores § 44(i), which provides that United States citizens be granted the same rights as foreign owners of marks have under § 44. If foreign owners have no additional rights, then § 44(i) is superfluous. Yet, in the legislative history, it was recognized that § 44 did give foreign owners additional rights. During the subcommittee hearings on this section, what is now § 44(i) was described as "an attempt to put the citizen on an equality with the foreigner . . . ." Lanham Act Hearings on H.R. 4744 (76th Cong.), Gilson at 44-8. This was necessary because otherwise this section presented the "curious anomaly of this Government giving by treaty and by law with respect to trade-marks and unfair competition to nationals of foreign governments greater rights than it gives to its own citizens." (*Id.*) In passing the original Act, § 44(i) was included to put United States owners on an equal footing. The additional rights include the extension of the well-known marks doctrine and effective protection against unfair competition.

The Second Circuit's decision is also in conflict with a number of cases in which the well-known marks doctrine is recognized, though ultimately found not to apply for fact-

specific reasons. *See e.g., Persons*, 900 F.2d at 1570 (hinting at the existence of a well-known marks doctrine under federal law, but concluding that it was not applicable where the plaintiff did not assert it); *London Reg'l Transp. v. William A. Berdan & Edward C. Goetz, III Partnership*, Opposition No. 91106031, 2006 WL 2032540, at *3 (T.T.A.B., June 20, 2006); *First Niagara Ins. Brokers, Inc. v. First Niagara Fin. Group, Inc.*, 77 U.S.P.Q. 2d 1334, 1345 (T.T.A.B. 2005), *overruled on other grounds by First Niagara Ins. Brokers, Inc. v. First Niagara Fin. Group, Inc.*, 476 F.3d 867 (Fed. Cir. 2007) (noting in dicta that owners of well known foreign marks may challenge registration of marks likely to cause confusion without having used the marks in the United States); *All England Lawn Tennis Club, Ltd. (Wimbledon) v. Creations Aromatiques*, 220 U.S.P.Q. 1069 (T.T.A.B. 1983); *Mother's Restaurants, Inc. v. Mother's Other Kitchen, Inc.*, 218 U.S.P.Q 1046 (T.T.A.B. 1983).

C. HARM TO IMPORTANT COMMERCIAL INTERESTS OF UNITED STATES BUSINESS IS IMMINENT IF THE CIRCUIT SPLIT IS NOT RESOLVED AND THE FAMOUS MARKS DOCTRINE RECOGNIZED

The failure to comply with TRIPs and reciprocate its intellectual property rights to member countries should not be taken lightly. Indeed, trademarks "are the most important ambassadors of goodwill America will ever send abroad." S. Rep. No. 100-515 at 4 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5577, 5580. Of the top 100 globally used trademarks, the United States accounts for over half, including the top five: Coca-Cola, Microsoft, IBM, GE, and Intel. *The 100 Top Brands Scoreboard*, BUSINESS WEEK, Aug. 7, 2006, at 60, *available at* http://bwnt.businessweek.com/brand/2006/. The estimated property value of the 51

United States trademarks listed in the top 100 is over $715 billion alone. The ability of these American businesses, among many other smaller businesses, to expand into foreign markets and continue to grow is dependent upon strong international trademark protection.

TRIPs arose out of the need for international protection of intellectual property because of its "significant and growing importance in international trade and economic relations." *Negotiating Group on Trade-Related Aspects of Intellectual Property Rights etc.: Meeting Minutes* (Mar. 25, 1987), available from the Franklin Pierce Law Center at http://ipmall.info/hosted_resources/lipa/trips.asp. In implementing TRIPs, the Senate recognized that "once in force, worldwide intellectual property protection should be significantly improved." S. Rep. No. 103-412 at 224 (1994).

And, as to the famous marks doctrine in particular, the Office of the Administrator for External Affairs of the United States Patent and Trademark Office has stated that widespread application of the well-known marks doctrine in other countries "is critical to enhanced international protection for U.S. trademark owners, because it is often U.S. trademarks that are the subject of abuse in other countries." (paper delivered by Jon P. Santamauro to the Cal. Bar Ass'n Int'l Sect., Feb. 8, 2002, *available at* http://www.sdipla.org/articles/santamauro.htm). If United States courts are seen as failing to protect foreign interests, domestic companies will be in a weaker position to assert United States rights under TRIPs in foreign jurisdictions. Thus, important foreign legislation and court decisions concerning United States intellectual property interests, which are not subject to review or debate in this or any other federal court, will be made in the coming years. Harmonization of

this split among two of the United States' foremost Circuits for international trade cannot wait.

In addition, the efforts of the United States to compel other countries to live up to their obligations under TRIPs will be seriously compromised. As part of such efforts, the United States tracks and reports on those countries that do not reciprocate such protections for its famous marks. In the 2006 *National Trade Estimate on Foreign Trade Barriers* ("2006 NTE"), published by the USTR, (http://www.USTR.gov/DOCUMENT_Library/Reports_Publications/2006/2006_NTE_Report/Section_Index.html?ht=) (last visited June 23, 2007), the United States specifically mentioned protections, or the lack thereof, for famous marks in several countries including Cambodia, China, Costa Rica, El Salvador, Guatemala, Indonesia, Japan, Nicaragua, Russia, and Singapore. Of particular note, the report states the following:

> China - the United States is working closely with China to reduce the rampant intellectual property infringement, but that in the trademark arena "some progress was made in 2004 on the recognition of foreign well-known marks. More than a year after the issuance of implementing rules on well-known marks, a handful of foreign marks has been recognized as well-known." *Id.*, pp. 121-22.
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> Japan - "The United States has identified a number of areas where further action by Japan is needed, including: . . . (3) providing effective protection for well-known trademarks. . . ." Id., p. 365. "Regrettably, in spite of the existence of provisions in Japan's Unfair Competition Law designed to afford greater protection to well-known marks, protection of

> such marks remains weak. . . . A trademark committee is currently reviewing the scope of protection for well-known marks, and the U.S. Government will continue to monitor its progress." *Id.*, p. 367.

> Russia - "Several U.S. firms have also experienced problems with trademark counterfeiting, with Russian enterprises attempting to use well-known foreign trademarks not currently active in Russia. Rights holders have been moderately successful in countering these schemes through the Russian court system or with Rospatent." *Id.*, p. 555.

At the behest of the United States, many countries have complied with TRIPs and granted protection to famous marks. For example, in India, where the United States has pursued greater recognition of trademark rights, *see* 2006 NTE at 307, Indian legislation and judicial decisions have extended protection to famous United States trademarks. In *N.R. Dongre & Ors. v. Whirlpool Corp.*, (1996) 5 SCC 714, (India), the Indian Supreme Court found the WHIRLPOOL mark to be protectible within India despite a lapse in the mark's registration and no sale of goods within India.[7] Although Whirlpool had no rights through use in India, the Court protected the mark because it was well-known due to advertisements in foreign magazines circulating in the country.

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[7] Discussions of the *Whirlpool* case can be found at Robert J. Gutowski, Comment; 47 BUFFALO L. REV. 713, 728-29 (1999) and Nicky Jatana, Note, *Did Whirlpool Make Its Mark in India? N.R. Dongre v. Whirlpool Corp.*, 10 TRANSNAT'L LAW 331 (1997).

Because this Second Circuit decision will be seen abroad as a failure of the United States to protect foreign trademarks as required by TRIPs, the United States government will be at a severe disadvantage in arguing for countries, such as China, Japan, Russia, and India, to reciprocate and protect United States famous marks. *See Vimar Segurosy Reaseguros, S.A. v. M/V Sky Reefer*, 515 U.S. 528, 539 (1995) ("If the United States is to be able to gain the benefits of international accords and have a role as a trusted partner in multilateral endeavors, its courts should be most cautious before interpreting its domestic legislation in such manner as to violate international agreements."); *see also* FREDERICK W. MOSTERT, FAMOUS AND WELL-KNOWN MARKS at 1-71 (2d ed. 2004) ("The way in which courts and tribunals deal with the intentional trading upon the reputation of famous or well-known marks has . . . become an important factor in the trading relations between nations. The international standards of fair play and comity between nations suggest upholding the equities when the circumstances of the case warrant it rather than strictly applying the principle of trademark 'territoriality.'").

But failure to observe obligations under the TRIPs agreement has much broader implications than loss of protection for United States trademarks; it affects all United States intellectual property. TRIPs is one of the most important agreements on international intellectual property rights;[8] it includes provisions ranging from combating DVD

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[8] Mitchell N. Berman et al., *State Accountability for Violations of Intellectual Property Rights: How To "Fix" Florida Prepaid (And How Not To)*, 79 TEX. L. REV. 1037, 1174 (2001) ("The most important agreement in this [International Intellectual Property] category is the agreement on Trade-Related Aspects of Intellectual Property (TRIPs) . . . ."); *see also* Marilyn Chase & Sarah Lueck,

piracy to halting counterfeit pharmaceuticals and health care products to protecting marks. A rejection of portions of TRIPs by the United States could be viewed by some countries as an excuse to reject any number of provisions of TRIPs and endanger much more than American trademark rights.

The Department of Commerce recognizes that "U.S. IP industries account for over half of all U.S. exports. They represent 40% of our economic growth and employ 18 million Americans, who earn 40% more than the average U.S. wage." United States Department of Commerce Press Release, *Bush Administration Officials Update Congress On Intellectual Property Enforcement Efforts* (July 26, 2006), *available at* http://www.commerce.gov/opa/press/Secretary_Gutierrez/2006_Releases/July/26_Chris_Israel_IPR_STOP!_rls.htm. It is estimated that the United States' total value of intellectual property is about $5 trillion, which is equivalent to about 45 percent of our gross domestic product and greater than the GDP of any other nation. Robert J. Shapiro & Kevin A. Hassett, *The Economic Value of Intellectual Property*, Oct. 2005, http://www.usaforinnovation.org/news/ip-master.pdf, at 3. Furthermore, an analysis of the S&P 500 reveals that the intangible value of the average company is 70 percent of its equity value. *Id.* at 17.

This intellectual property economy is protected by TRIPs, and the Second Circuit's ruling that the United States is not living up to its obligations under TRIPs has the potential to

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In New Trade Pacts, U.S. Seeks to Limit Reach of Generic Drugs, WALL ST. J., July 6, 2004, at A1 ("[A] major trade agreement known as TRIPs was negotiated covering global intellectual property such as trademarks and copyrights.").

drastically decrease the value of not just United States trademarks but United States intellectual property in general. Regardless of the outcome, the longer this law is left unsettled, the longer United States international trade protections are left to erode in an increasingly competitive global market.

CONCLUSION

For the reasons stated, Petitioner respectfully requests that the petition for writ of certiorari be granted.

This 26th day of June, 2007.

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